

# COUNTY OF LOS ANGELES

MARVIN J. SOUTHARD, D.S.W.  
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SUSAN KERR  
*Chief Deputy Director*

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*Medical Director*



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## DEPARTMENT OF MENTAL HEALTH

<http://dmh.co.la.ca.us>

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

Reply To: (213) 738-4601  
Fax No.: (213) 386-1297

June 3, 2004

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 3 TO EXISTING AGREEMENT WITH  
THE CALIFORNIA MENTAL HEALTH DIRECTORS' ASSOCIATION  
FOR FISCAL YEAR 2003-2004  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

Approve and authorize the Director of Mental Health or his designee to prepare, sign, and execute Amendment No. 3, substantially similar to the Attachment, to the existing Agreement No. DMH-01121 with the California Mental Health Directors' Association (CMHDA), a nonprofit affiliate of the California State Association of Counties. The original term of the Agreement is July 1, 2002 through June 30, 2005, for the provision of medically necessary specialty mental health services rendered by providers in the Administrative Services Organization's (ASO) network to Los Angeles County's Medi-Cal eligible children who are placed by the Department of Children and Family Services (DCFS) and the courts outside of Los Angeles County.

This Amendment involves the following actions:

- a) Reduces the contract term by one year with a revised expiration date of June 30, 2004.
- b) Increases the Maximum Contract Amount (MCA) for Fiscal Year (FY) 2003-2004 by \$500,000 to meet the increased demand for mental health services delivered to Los Angeles County's Medi-Cal eligible children who are placed outside of Los Angeles County.

- c) Adds contract provisions and increases the MCA by \$193,654 to allow payment for FY 2003-2004 for prior years and current year denied Medi-Cal claims.

The revised MCA totaling \$1,693,654 for FY 2003-2004 will be fully funded by \$677,700 in Early and Periodic Screening, Diagnosis and Treatment – State General Funds (EPSDT-SGF), \$799,500 in EPSDT- Federal Financial Participation (FFP) Medi-Cal funds, \$146,454 in Realignment funds, and \$70,000 in STOP funds, which are included in the Department of Mental Health's (DMH) FY 2003-2004 Adopted Budget. This Amendment will be effective upon Board approval through June 30, 2004, which is the end of the revised contract term.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS**

On February 20, 2004, CMHDA unexpectedly notified County Mental Health Directors of its intent to discontinue the statewide management of the ASO, Value Options, Inc., as of June 30, 2004. Board approval is required to amend the existing Agreement with CMHDA to reduce the contract term from June 30, 2005 to June 30, 2004.

Upon Board approval, the contract amendment will also increase the FY 2003-2004 MCA by \$500,000, which will provide CMHDA with necessary funding to meet the increased demand and need for mental health services rendered to Los Angeles County's Medi-Cal eligible children placed in other counties and, thus, ensure Medi-Cal beneficiaries' access to quality mental health care and treatment rendered by the ASO provider, ValueOptions, Inc., without interruption.

This action also includes an additional \$193,654 increase to the MCA which will reimburse CMHDA for claims submitted by the ASO, ValueOptions, Inc., for mental health services provided to children placed by DCFS or the courts where the child was believed to be Medi-Cal eligible but was later found not to be. Upon receipt of a denied claim, DMH checks the Medi-Cal Eligibility Data System (MEDS) file to verify the lack of Medi-Cal eligibility before a claim is considered denied. Upon verification that the child is not Medi-Cal eligible and has no other coverage, DMH pays CMHDA for the services claimed. The \$193,654 includes a one-time only lump sum amount not to exceed \$143,654 for prior year Medi-Cal denied claims and an additional \$50,000 for current year projected Medi-Cal denied claims.

### **Implementation of Strategic Plan Goals**

The recommended Board actions are consistent with the County's Programmatic Goals 5, Children and Families' Well-Being, and 7, Health and Mental Health, within the Countywide Strategic Plan. Services will be accessible and integrated into a comprehensive service delivery system through the collaboration of government and private agencies.

### **FISCAL IMPACT/FINANCING**

There is no increase in net County cost. The increase in MCA totaling \$693,654 will be fully funded by existing appropriation of \$210,700 in EPSDT-SGF, \$266,500 in EPSDT-FFP Medi-Cal funds, \$146,454 in Realignment funds, of which \$22,800 is for the EPSDT growth match and \$30,000 is for the STOP match, and \$70,000 in STOP funds, which are included in DMH's FY 2003-2004 Adopted Budget.

The revised MCA of \$1,693,654 for FY 2003-2004 will be funded by \$677,700 in EPSDT-SGF, \$799,500 in EPSDT-FFP Medi-Cal funds, \$146,454 in Realignment funds, of which \$22,800 is for the EPSDT growth match and \$30,000 is for the STOP match, and \$70,000 in STOP funds, which are included in DMH's FY 2003-2004 Adopted Budget.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Since FY 1999-2000, CMHDA has been authorized by participating counties to contract with a private managed care company, ValueOptions, Inc., operating as an ASO to act as an agent to: 1) credential and establish a provider network; 2) determine service needs; 3) assure quality of services; 4) ensure necessary beneficiary rights and protection; and 5) reimburse out-of-county providers for the purpose of improving access to mental health services for children and adolescents placed out of their home county, using guidelines set by the involved counties.

On October 26, 1999, your Board initially approved and delegated authority to the Director of Mental Health to enter into an Agreement with CMHDA for the coordination of mental health services by an ASO for Title XIX Medi-Cal eligible children placed outside of Los Angeles County.

On June 18, 2002, your Board renewed the Agreement with CMHDA for a three-year term, effective FY 2002-2003, to act as its agent to monitor and pay the ASO. The

subcontract between CMHDA and ValueOptions, Inc., was renewed, effective FY 2002-2003, for a three-year term.

On August 20, 2002, your Board authorized the State Department of Mental Health (SDMH) to transfer a portion of Los Angeles County's share of EPSDT-SGF, totaling \$700,000 annually, to CMHDA to pay for ASO services. Effective FY 2003-2004, SDMH no longer allowed such transfer of funds.

Subsequently, on October 21, 2003, your Board approved Amendment No. 2 to change the reimbursement methodology by adding a provision for cash flow advances in the amount of \$416,000 in order to implement new State policy and procedures.

In addition to the inability of CMHDA and ValueOptions, Inc., to obtain access to the statewide Medi-Cal eligibility database, children's Medi-Cal eligibility is difficult to monitor because of the many circumstances in these children's lives that impact their eligibility; for example, a child's last name has changed or suddenly a parent has insurance which may only last for a short time. Initially, CMHDA thought that the denials would be minimal. However, denials were greater than anticipated and continued to be an issue, requiring financial assistance in the amount of \$193,654 for FY 2003-2004 presented in Amendment No. 3.

On February 20, 2004, CMHDA unexpectedly notified County Mental Health Directors of its intent to discontinue the management of the ASO, effective June 30, 2004, due to overriding administrative issues with demonstrating compliance with all of the Medi-Cal and the Health Insurance Portability and Accountability Act (HIPAA) regulations following a consultant's report on risk assessment of the ASO and the conclusion that CMHDA was deemed a Medi-Cal provider and, therefore, subject to all of the Federal compliance rules and regulations. Additionally, CMHDA addressed serious concerns with these new and unanticipated external and extenuating circumstances beyond CMHDA's control, extremely limited staff, and the lack of resources to implement the new mandate.

In anticipation of the expiration of its contracts with counties, CMHDA formed a transition team to find an alternative that could assume management of the ASO to continue to meet the statewide mental health needs of out-of-county foster care youth. DMH has been working closely with 34 other participating counties in developing a contract directly with ValueOptions, Inc., to ensure the continual provision of ASO services, without disruption, to Medi-Cal eligible children and youth placed out of Los Angeles County, as of July 1, 2004.

The attached Amendment has been approved as to form by County Counsel. The proposed actions have been reviewed by the Chief Administrative Office, County Counsel, and DMH's Fiscal and Program Administrations.

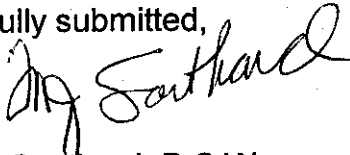
**IMPACT ON CURRENT SERVICES**

The subcontract arrangement with the ASO through the Agreement with CMHDA has provided cost-effective services and enabled Los Angeles County to ensure timely access to mental health services for children and adolescents placed out-of-county, consistent with the Board's priorities for efficient government operations and children's and families' well-being. The additional funding will ensure payment for mental health services rendered to this specific population.

**CONCLUSION**

The Department of Mental Health will need one (1) copy of the adopted Board's action. It is requested that the Executive Officer of the Board notifies the Department of Mental Health's Contracts Development and Administration Division at (213) 738-4684 when this document is available.

Respectfully submitted,



Marvin J. Southard, D.S.W.  
Director of Mental Health

MJS:SK:JH:MY

Attachment

c: Chief Administrative Officer  
County Counsel  
Chairperson, Mental Health Commission

CONTRACT NO. DMH-01121

AMENDMENT NO. 3

THIS AMENDMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2004, by and between the COUNTY OF LOS ANGELES (hereafter "County") and the California Mental Health Directors' Association (CMHDA) (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated June 18, 2002, identified as County Agreement No. DMH-01121, and any subsequent amendments (hereafter collectively "Agreement"); and

WHEREAS, for Fiscal Year 2003-2004, County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, effective upon Board approval for Fiscal Year 2003-2004, County and Contractor intend to amend Agreement to revise the contract term through June 30, 2004 due to Contractor's decision to discontinue the statewide management of the ASO; and

WHEREAS, effective upon Board approval for Fiscal Year 2003-2004, County and Contractor intend to amend Agreement to revise the Maximum Contract Amount (MCA) by reimbursing Contractor an increase of \$693,654 for Fiscal Year 2003-2004, consisting of \$210,700 in Early and Periodic Screening, Diagnosis, and Treatment-State General Funds (EPSDT-SGF), \$266,500 in Federal Financial Participation (FFP) Medi-Cal funds, \$146,454 in Realignment funds, of which \$22,800 is for the EPSDT growth match and \$30,000 is for the Supportive

and Therapeutic Options Program (STOP) match, and \$70,000 in STOP funds for Short-Doyle/Medi-Cal services rendered to County's Medi-Cal eligible children who are placed by DCFS and the courts outside of Los Angeles County; and

WHEREAS, the revised MCA shall be \$1,693,654 for Fiscal Year 2003-2004; and

WHEREAS, for Fiscal Year 2003-2004, County and Contractor intend to amend Agreement to add a "No Denials" provision in regards to claims paid on behalf of Los Angeles County to the ASO, ValueOptions, Inc., by Contractor. An exception to this provision shall be made in the case of "incorrect County billings." Incorrect claims, for example, would be a claim where the County was billed, but upon review of the Medi-Cal Eligibility Data System (MEDS) file it is determined the child was eligible for services from another County. In the event of an "incorrect County billing," the Contractor shall credit County for such claims; and

WHEREAS, for Fiscal Year 2003-2004, County and Contractor intend to amend Agreement to pay Contractor a one-time only lump sum amount not to exceed \$143,654 for past denials and an additional \$50,000 when County exhausts efforts to confirm Medi-Cal eligibility and continues to receive denied claims despite re-billings. Contractor shall invoice County for these amounts and submit relevant claims data.

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. Paragraph 2 (REGULATORY COMPLIANCE AND FUNDING FLOW), Subparagraphs I (No Denials), J (Payments for Past Denials), K (Payments for Current Denials), and L (Payments for Other Insurance Coverage Denials) shall be added as follows:

"I. No Denials:

1. County shall pay Contractor for all claims submitted by the ASO, ValueOptions, Inc., for services rendered to Los Angeles County's Medi-Cal eligible beneficiaries, with the exception that in cases involving children placed by DCFS or the courts where the child was believed to be Medi-Cal eligible but was later found not to be. Upon receipt of a denied claim, County shall check the MEDS file to verify the lack of Medi-Cal eligibility before a claim is considered denied. If County verifies that the child is not Medi-Cal eligible and has no other coverage, the County shall pay the Contractor for the services claimed. However, in the event that the MEDS file indicates Medi-Cal eligibility or other coverage, the County shall provide the information to Contractor and shall ask Contractor to re-bill/re-submit the claim. County shall pay Contractor should the re-billed/re-submitted claim be denied.



2. In the event that a Medi-Cal eligible claim is denied because the child's aid code indicates non-Title XIX Medi-Cal eligibility, County shall pay Contractor for services.
- J. Payments for Past Denials: County shall pay Contractor a one-time only lump sum amount not to exceed \$143,654 for past denials incurred in Fiscal Years 1999-2000 through 2002-2003. Contractor shall invoice County for this amount and submit relevant claims data.
- K. Payments for Current Denials: County shall pay Contractor an additional amount not to exceed \$50,000 for current denials incurred in Fiscal Year 2003-2004 when County exhausts efforts to confirm Medi-Cal eligibility and continues to receive denied claims despite re-billings.
- L. Payments for Other Insurance Coverage Denials: County shall pay Contractor for current denials incurred in Fiscal Year 2003-2004 related to services provided when other insurance coverage exists."
2. Paragraph 6 (MAXIMUM CONTRACT AMOUNT) shall be deleted in its entirety and replaced with the following:

"6. The Maximum Contract Amount shall not exceed \$1,693,654 for Fiscal Year 2003-2004, effective July 1, 2003 through June 30, 2004."
3. Paragraph 7 (MISCELLANEOUS) shall be amended as follows:

"7. This Contract shall remain in full force and in effect until the Contract expires on June 30, 2004. Notwithstanding the termination of this Contract, all obligations of the County pursuant to this Contract shall

survive until the end of the fiscal year or until CMHDA and/or the ASO  
have received any and all reimbursement provided for herein."

4. Except as provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

APPROVED AS TO FORM:

COUNTY OF LOS ANGELES

OFFICE OF THE COUNTY COUNSEL

By

MARVIN J. SOUTHARD, D.S.W.  
Director of Mental Health

By

Principal Deputy County Counsel

California Mental Health Directors'  
Association

CONTRACTOR

By

Name Patricia Ryan

Title Executive Director

APPROVED AS TO CONTRACT  
ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By

Chief, Contracts Development  
and Administration Division